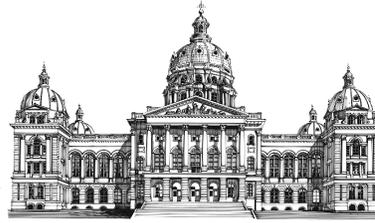


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# Iowa Legislative Fiscal Bureau

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## Update on the Status of the Community Economic Betterment Account (CEBA) Program

### ISSUE

The CEBA Program of the Department of Economic Development (DED) ended FY 1995 with a balance of \$665,000 which had already been committed as part of a \$1.0 million award to be given when the FY 1996 funding was received. Awards were made for 55 projects, with funding totaling \$9.3 million.

### AFFECTED AGENCIES

Department of Economic Development

### CODE AUTHORITY

Chapter 15, Code of Iowa

### BACKGROUND

The CEBA Program provides funding for companies creating and retaining jobs in Iowa. These State funds are intended to be only a small portion of a financial package, with the majority of the investment coming from private and local public sources. Cities, counties, and merged area school districts are eligible to apply on behalf of local enterprises that are expanding, starting a new business, or businesses that are relocating into the State. The Program has provided financial assistance in a variety of forms including:

- low and no interest loans.
- forgivable loans.
- grants.
- interest buydowns.

A grant is simply an award of funds with no recourse for recouping the money if the business does not create the jobs that were pledged. A forgivable loan is similar to a grant. If a company completes the requirements to receive the award within the specified time period the loan is forgiven. However if the specified number of jobs to be created or retained does

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not occur, the DED can take action to recoup all or a portion of the funds awarded. To help ensure commitment on the part of the companies involved, the DED has provided mainly loans and forgivable loans during the past few years.

Key criteria for approval of applications are:

- number and quality of jobs created or retained.
- cost per job from CEBA funding.
- significant other public and private financial involvement.

The funds can be used for building construction or remodeling; purchasing machinery and equipment; a limited amount of working capital; or assistance with other business financing.

The CEBA Program began in FY 1986 with initial funding coming from Lottery revenues. The level of funding has ranged from a high of \$10.5 million in FY 1986 to a low of \$3.3 million in FY 1993. The demand for the Program has remained consistently strong, and has resulted in supplemental appropriations in FY 1994 and FY 1995. In both years available funds had been nearly exhausted by the end of the first six or seven months of the fiscal year and the DED had applications waiting to be funded.

### **CURRENT SITUATION**

According to David Lyons, the Director of the DED, a serious attempt will be made during FY 1996 to ensure that the level of funding appropriated for CEBA is not all awarded in the first half of the year. This may mean tightening the selection process, issuing more regular loans instead of forgivable loans, and requiring a higher quality of jobs to receive an award.

Additionally, the General Assembly required that the DED be more aggressive in recapturing funding from awards that are not used within two years. During FY 1995, the DED recaptured funds that had been awarded in FY 1989 of \$50,000 and FY 1990 of \$100,000.

When a company receives an award it may not be ready to proceed with the project. However, the funds awarded become encumbered, and are not available for other projects. Identifying projects that are not ready to proceed or have decided not to proceed will allow funds to become available for awards to other companies. If a company later decides to proceed it can reapply for funding.

The following is a summary of the CEBA Program from May 1986 through June 1995.

- Awarded a total of \$65.3 million to 448 applicants. This included:
  - 296 (66.1%) awards totaling \$44.0 million (67.4%) to existing Iowa businesses.
  - 81 (18.1%) awards totaling \$7.0 million (10.7%) to entrepreneurs starting new businesses in Iowa.
  - 71 (15.8%) awards totaling \$14.3 million (21.9%) to businesses relocating into Iowa or expanding out-of-state operations in Iowa.
- The number of awards given by size of community were:
  - 251 (56.0%) awards totaling \$29.5 million (45.2%) for communities with a population under 10,000.
  - 197 (44.0%) awards totaling \$35.8 million (54.8%) for communities with a population over 10,000.
- The 448 businesses pledged to create 24,862 jobs and to retain 13,483 existing jobs.

- The average cost per job pledged was \$1,703 from CEBA funding.
- The CEBA funding leveraged \$2.0 billion in other funds for the projects.
- The average wage pledged for these jobs was \$9.39 per hour. (For FY 1995 the average wage pledged was \$11.73.)
- Projects that have reached the contracted job achievement date have created or retained 23,279 (85.4%) of 27,265 pledged jobs at an actual cost of \$1,876 per job.

Attachments A and B provide additional detail related to the history of the CEBA Program. Attachment A is a summary of FY 1986 through FY 1995 and Attachment B provides information on FY 1995 only.

### **BUDGET IMPACT**

Of the \$4.3 million allocated to the CEBA Program for FY 1996, the DED has a balance of \$3.7 million for FY 1995. The balance includes \$193,000 in loan repayments received during FY 1996. While the DED has approximately \$600,000 more available for awards this year than at the same point in FY 1995, it is still possible that funding will again be insufficient to meet demand for the Program.

The Legislative mandate to increase recaptures of awards that are not being utilized may provide sufficient additional funds to meet demand. If not, the DED will either request a supplemental appropriation for the third consecutive year, or not approve projects until the beginning of the next fiscal year once funds are exhausted.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

## CEBA-Summary Statistics (May 1986 - June 1995)

ANALYSIS BY BUSINESS TYPE AND PERFORMANCE OF JOB ATTAINMENT					Analysis of those projects that have reached their job attainment date	
	Expansion	Start-up	Recruitment	Total	No. of Projects	\$'s Awarded
# Awards	296	81	71	448	350	
\$'s Awarded	\$44,016,444	\$7,041,052	\$14,242,700	\$65,300,196		\$43,663,540
Jobs to be Retained	13,081	41	361	13,483	Jobs Pledged	27,265
Jobs to be Created	14,076	3,756	7,030	24,862	Jobs Attained	23,279
Total Pledged Jobs	27,157	3,797	7,391	38,345	% Attainment	85.38%
Pledged Cost/Job	\$1,621	\$1,854	\$1,927	\$1,703	Actual Cost/Job	\$1,876
Leveraged Funds	\$954,127,813	\$118,702,750	\$906,158,090	\$1,978,988,653		

ANALYSIS BY POPULATION						
	Under 2,500	2,500 - 5,000	5 - 10,000	10 - 50,000	Over 50,000	Total
# Awards	102	81	68	84	113	448
\$'s Awarded	\$11,102,130	\$8,746,328	\$9,684,898	\$14,098,590	\$21,668,250	\$65,300,196
% Population	22.55%	9.35%	12.80%	21.75%	33.55%	100.00%
% of # Awards	22.77%	18.08%	15.18%	18.75%	25.22%	100.00%
% of \$'s Awarded	17.00%	13.39%	14.83%	21.59%	33.18%	100.00%
Jobs to be Retained	864	1,347	1,726	3,361	6,185	13,483
Jobs to be Created	4,415	3,192	3,650	4,287	9,318	24,862
Total Pledged Jobs	5,279	4,539	5,376	7,648	15,503	38,345
CEBA Cost/Job	\$2,103	\$1,927	\$1,802	\$1,843	\$1,398	\$1,703
Leveraged Funds	\$524,984,382	\$152,314,497	\$259,292,817	\$343,208,722	\$699,188,235	\$1,978,988,653

ANALYSIS BY AWARD TYPE		
	Number*	\$'s Awarded
Grants	71	\$9,907,956
Loans	157	\$13,529,769
Buydowns	6	\$535,500
Forgivable Loans	254	\$41,026,971
Other	1	\$300,000

\* 40 PROJECTS WERE A COMBINATION OF AWARD TYPES.

APPLICATIONS		
	Total	New Opportunities
Received	823	66
Pending	0	
Referred	46	
Withdrawn or denied	327	

ANALYSIS OF WAGES	
Wage Rates	No. of Jobs
\$3 - \$4.99/hr	1,432
\$5 - \$6.99/hr	6,973
\$7 - \$8.99/hr	11,847
\$9 - \$10.99/hr	7,714
\$11 +/hr	10,379
Total Jobs:	38,345
Average Wage:	\$9.39 per hour

State of Iowa  
 Dept of Economic Development  
 prepared by: CEBA Staff (515-242-4853)

## CEBA-Summary Statistics (Fiscal Year 1995)

## ANALYSIS BY BUSINESS TYPE AND PERFORMANCE OF JOB ATTAINMENT

	Expansion	Start-up	Recruitment	Total
# Awards	42	7	6	55
\$'s Awarded	\$7,247,148	\$630,000	\$2,475,000	\$10,352,148
Jobs to be Retained	1,701	3	0	1,704
Jobs to be Created	1,778	264	1,136	3,178
Total Pledged Jobs	3,479	267	1,136	4,882
Pledged Cost/Job	\$2,083	\$2,360	\$2,179	\$2,120
Leveraged Funds	\$142,577,919	\$9,340,698	\$394,679,300	\$546,597,917

## ANALYSIS BY POPULATION

	Under 2,500	2,500 - 5,000	5 - 10,000	10 - 50,000	Over 50,000	Total
# Awards	13	10	9	11	12	55
\$'s Awarded	\$2,181,000	\$1,361,528	\$1,574,620	\$3,013,500	\$2,221,500	\$10,352,148
% Population	22.55%	9.35%	12.80%	21.75%	33.55%	100.00%
% of # Awards	23.64%	18.18%	16.36%	20.00%	21.82%	100.00%
% of \$'s Awarded	21.07%	13.15%	15.21%	29.11%	21.46%	100.00%
Jobs to be Retained	208	33	555	827	81	1,704
Jobs to be Created	604	663	335	655	921	3,178
Total Pledged Jobs	812	696	890	1,482	1,002	4,882
CEBA Cost/Job	\$2,686	\$1,956	\$1,769	\$2,033	\$2,217	\$2,120
Leveraged Funds	\$374,976,317	\$30,528,735	\$11,752,347	\$85,196,606	\$44,143,912	\$546,597,917

## ANALYSIS BY AWARD TYPE

	Number*	\$'s Awarded
Grants	0	\$0
Loans	29	\$1,985,310
Buydowns	0	\$0
Forgivable Loans	37	\$8,366,838
Other	0	\$0

\* 11 projects were a combination of award types.

## ANALYSIS OF WAGES

Wage Rates	No. of Jobs
\$3 - \$4.99/hr	0
\$5 - \$6.99/hr	164
\$7 - \$8.99/hr	775
\$9 - \$10.99/hr	1,445
\$11 +/hr	2,498
<b>Total Jobs:</b>	<b>4,882</b>
<b>Average Wage:</b>	<b>\$11.73 per hour</b>

State of Iowa  
 Dept of Economic Development  
 prepared by: CEBA Staff (515-242-4853)